

A business plan for a pizza business in Viet Nam: a case study of Pizzavn

Nguyen, Kim Minh

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Laurea University of Applied Sciences
Leppävaara

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Kim Minh Nguyen
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Kim Minh, Nguyen

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In recent years, the economy of Viet Nam has developed rapidly and standards of living have also increased. The Vietnamese nowadays are eager to try more foreign dishes. In the city of Binh Duong, the pizza business is considered to have good potential because there is a large market and only two dominant competitors. The problems with the currently existing pizza brands are that the prices are high compared to the average income of local residents. Furthermore, they only offer food choices based on a pre-defined menu. Pizzavn, which is the case company for this thesis project, was established in Binh Duong city, and will optimize its business model to provide the mass market with affordable pizzas and offer the flexibilities in which customers can design their desired pizzas.

This functional thesis is produced to serve the author's personal purpose of exploring potentials and feasibility in establishing a pizza business in Binh Duong city.

The business plan employs Osterwalder's business creation models that cover the nine elements of establishing a business. The author uses qualitative research with the deductive approach for gathering primary data. Open-ended interviews questions were conducted on two restaurant owners as well as pizza consumers in targeted segments. Other sources of data come from printed literature, electronic sources and the personal observations of the author.

The results illustrate that opening a cost-efficient pizza business in Viet Nam is feasible. Although Pizzavn, like many other start-ups in the restaurant industry, has a net loss in the first year due to a significant amount of capital needs spent on initial investments, the financial streams are expected to be positive from the second year when the business can gain more awareness and reputation.

Keywords: Business plan, entrepreneurship, Viet Nam, Pizza

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1 Introduction

1.1 Background and choice of the study.

Viet Nam has been known for the birthplace of iconic foods such as Banh Mi, Pho and a variety of street foods. In recent years, the standards of living in Viet Nam have been rising and the Vietnamese are interested in trying something new, something western. Among other foreign dishes, Pizza has been becoming popular in Viet Nam for its exotic tastes. So far, a few international pizza brands have entered the Vietnamese markets. However, their prices are high compared to the average income of local residents. Furthermore, they only offer food choices based on a pre-defined menu. After consulting two restaurant owners in Binh Duong and from own observations, the author have discovered the possibilities in establishing a pizza business that provides affordable and customizable pizzas.

1.2 Research objectives.

According to Finch (2013, 2-3), readers of a business plan can be classified into six different types, according to their purposes. The audience can be anyone who wants to invest, purchase the business, be a co-venture, has the authorities to approve the business plan or the writer himself for business research and developing purposes. This functional thesis is created to serve the author's personal purpose of exploring potentials and feasibility in establishing a pizza business in Binh Duong city, Viet Nam, thus, the author should mainly concentrate on non-financial objectives such as staff development and management issues.

1.3 Binh Duong city

Nowadays, Binh Duong is one of the cities with rapid economic growth and dynamic industrial development in Viet Nam. Being located at the gateway to Ho Chi Minh City and crossed by National Highway 13, National Highway 14 and Trans-Asia route, Binh Duong is convenient for comprehensive socio-economic development. By 2012, the population of Binh Duong was approximately two million with a density of 550 people per kilometer square. (General information - Binh Duong, 2011) Most of the residents in Binh Duong city are open-minded to foreign gastronomies and cultures. (Phuong 2015; Thanh 2015)

1.4 Pizzavn and its vision.

Pizzavn is the sample case restaurant through which the author uses to illustrate his findings and observations in this thesis. The location of Pizzavn is in the heart of Binh Duong city which is surrounded mainly by universities, school and industrial parks. Pizzavn is open from

6AM to 9PM, Monday to Saturday. The kitchen will be closed at 8:30PM. There are two 7,5-hour work shifts which start from 6AM and 1:30PM. In each shift, the staff comprises two waiters/waitress and one chef. The staff of Pizzavn will consist of both full-time and reserved part-time employees to ensure adequate personnel in every shift.

In the first year of operation, the main objectives of Pizzavn are to raise public awareness, build a customer base and strengthen the brand image through a high rate of customer satisfaction. Financially, profitability is estimated to be marginal because of heavy initial investments in physical assets such as decorations, kitchen equipment, and dining wares. From the second year, portable pizza kiosk will be established near potential locations to gain more market shares and guide the customers to the main restaurant. The business model of Pizzavn will be stabilized through efficient cost structure and effective marketing.

2 Research methodology

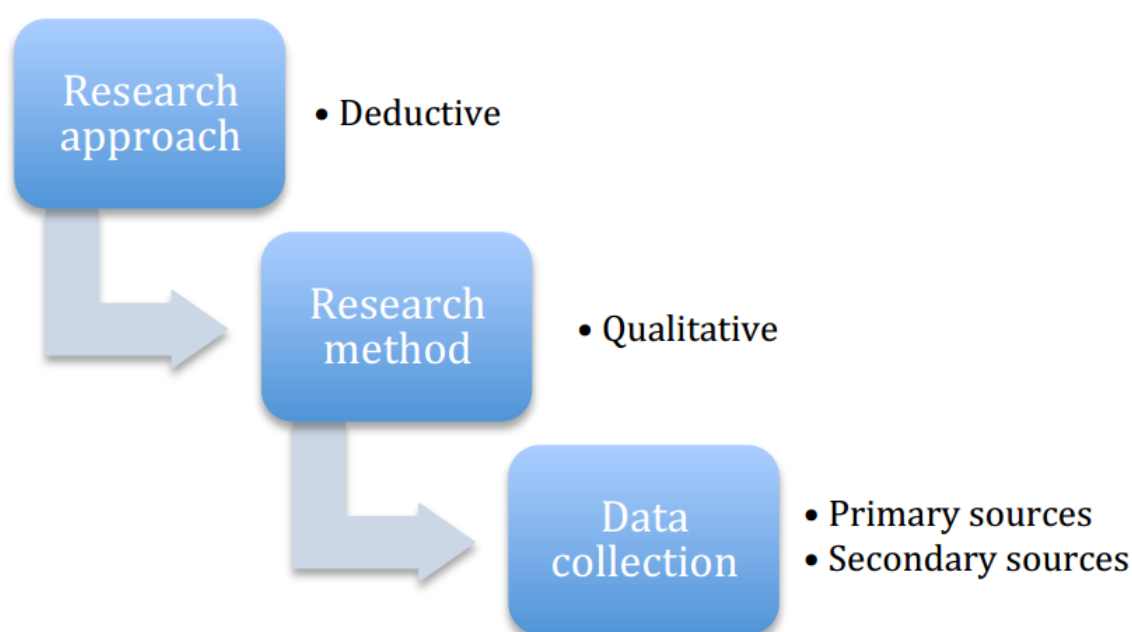


Figure 1: Summary of research methodology

2.1 Research approach

There are two classifications of reasoning in research: inductive and deductive approach. With the inductive approach, data is collected first, and then the theory is built based on the data analysis; while deductive reasoning works the other way: the theory and hypothesis is proposed before being tested. (Saunders et al. 2009, 35)

Deductive approach is the most suitable one for the context of this paper because a business plan is itself a hypothesis and a strategic plan needs to be developed, along with observational research to test the possibilities of the business model.

2.2 Research method

Saunders et al. (2009, 139-140) claim that exploratory research is executed for exploring a problem that has not been acutely defined and there is few or no previous research in that specific field. To conduct exploratory research, formal and informal conversational discussions with experts, group interview, and existing literature can be used. The outcomes of exploratory research provide broad views but a narrow focus on the objective.

This thesis uses qualitative research method for exploring both possibilities and applicability of the proposed business plan. Open-ended interviews questions were conducted on tow experts in the restaurant industry as well as consumers in targeted segments. Other sources of data come from printed literature, electronic sources and own observations of the author.

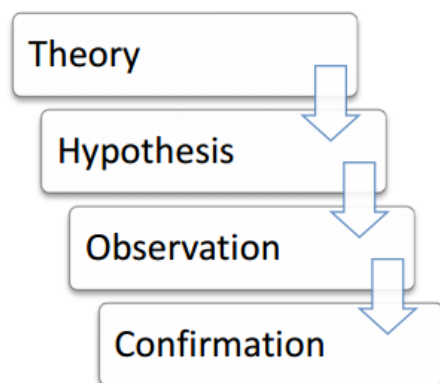


Figure 2: Deductive model

2.3 Data collection

Herold (2015) suggests that "case studies using multiple sources of evidence were rated more highly, in terms of their overall quality, than those that relied on only single sources of information". The use of several reference sources increases the validity and reliability of evidence and those of the author's arguments. Therefore, in this thesis, primary data are collected from open-ended interviews and secondary data from other sources such as own observations of the author, published sources and the internet.

2.4 Validity

For a systematic approach, Osterwalder's nine-stage business model creation model has been utilized as a framework for creating interview questions that are specified in section 2.5. The reliability and validity of this thesis are taken into account based on several factors. The data used for the theoretical and empirical parts were taken from several sources that are listed in the reference list. All the interviewees are involved in the restaurant industry. The questions (in Vietnamese) will be dispatched to the interviewees beforehand via email so that they can well prepare and structure their answers. The interviewees were encouraged to express their experiences comfortably, acutely and neutrally.

From the interviews with the two restaurant owners, the author gets practical advice on the fundamental requirements for establishing the pizza business in Binh Duong city. The author chose these people for interviews because they have been in the restaurant business in Binh Duong city for around 10 years. They are, consequently, highly experienced and able to provide the author with practical experiences and advice. They are old neighbors of the author, thus, have already established personal relationships with the author and agreed to communicate by any means suitable and share their strategic business tactics as much as possible.

From the interviews with the three frequent pizza eaters, the author expects to get information about competitors from different viewpoints. These interviewees have been frequently visiting Pizzahut® and Pizzainn®, with friends and family, hence, they can provide insightful comparisons and latest updates about these competitors of Pizzavn. These pieces of information can also be utilized in other parts of this paper such as customer relationship management and service improvement of Pizzavn.

2.5 Research questions

2.5.1 Questions for the two restaurant owners

These questions are based on Osterwalder's nine-stage business creation model:

Customer segments:

- In Binh Duong city, as a newly established pizza business, which are the most important customers segments that Pizzavn should mainly focus on and why?
- What are the needs, expectations and problems of Pizzavn's targeted customer segments?

Value propositions:

- As a cost-efficient business model, what values should Pizzavn deliver to the customers?

Channels:

- Through which channels should Pizzavn deliver values to its customers? Which channels are the most cost-efficient?

Revenue streams:

- Price: How price-sensitive are the local residents? On what criteria should the products be priced?
- Place: Where do buyers purchase and consume the products?
- Products: What size options should the pizza be? How should they be differentiated from the competitors' products?
- Promotions: What kinds of cost-efficient promotional activities should be done provided that the budget of Pizzavn in the beginning is concise?

Customer relationships

- How should Pizzavn build and develop customer relationship? How to emotionally satisfy the customers?
- How should the employees be trained to satisfy the customers professionally?

Key partnerships:

- Who and which services should Pizzavn establish strategic partnerships with?

Key resources:

- What are the primary resources that are required to keep Pizzavn operational?

Key activities:

- What are the primary activities that are required to keep Pizzavn operational?

Cost structure:

For start-up, what are the required equipment and their estimated costs?

2.5.2 Questions for the selected frequent pizza diners

- Describe in details what you like and dislike about the quality of products and services of Pizzahut® and Pizzainn® (Pizzavn's competitors).
- Describe their internal strength and weakness as well as external opportunities and threats (S.W.O.T) nowadays in Binh Duong city.
- Describe what factors they need to improve in order to better satisfy the customers.

3 Theoretical background

3.1 Business plan definition

A business plan is a formal statement that outlines the specifics and objectives of establishing a business and expanding it in the future. It also justifies the motives and requirements for a business to become sustainable in the given industry. An effective and complete business plan expresses viewpoints of the markets and the relevant know-hows for deploying a business based on the available resources and as well as keeps revenue streams steady for long-term growth and sustainability. It details the primary products or services and determines whether they are suitable for the current markets, the competition, pricing structures, and targeted customer groups and values creation. Other factors such as organizational cultures, current and future stages of finances, an amount of required capital to break even, are also included. A business plan is a communication tool for the entrepreneurs and potential investors as well as other parties who want to execute their business ideas base on the operating model. Sole proprietors can also use a business plan as a tool to express motivation and planned logical stages for following the establishment processes. Besides deployment steps, business plan develops frameworks for continual evolvement and need to be a comprehensive outlook to the entire business model for meeting the expected goals for their “interest groups” which include several parties such as investors, personnel, marketers, suppliers and other partners. (Kaplan & Warren 2007, 338)

A business plan is generally a document consisting of 25 to 40 pages in written form that clarifies the direction of a business, what kind of products and services the markets need and what should be completed to obtain the expected objectives. A successful business plan introduces methods for assessing its viability, development plans, sustainability, fund-raising possibilities and its values toward the stakeholders. Because, regardless of the stages of a current business, a business plan is usually displayed when the entrepreneurs meet their investors or banks, one of the ultimately important reasons of devising a business plan is to secure capital. Furthermore, as the business proceeds, the business plan is being modified to satisfy the mutual needs of all evolving parties. Consequently, incoming problems can be anticipated and mitigation methods are planned ahead. (Kaplan & Warren 2007, 339 - 344)

4 Main principles of Pizzavn

4.1 Customer segments

Basically, customers of Pizzavn can be anyone who is interested in Pizza and other Western foods. According to Osterwalder & Pigneur, profitable customers are important to the long-

term survival of any business, thus, a company should classify them into distinctive groups with similar attributes in order to effectively create and provide them with suitable values. Accordingly, the customers of Pizzavn are grouped according to their buying characteristics. (Osterwalder & Pigneur, 01)

The first segment consists of diners who eat at the Pizzavn restaurant. This group mainly comprises the youths and families who want a good restaurant environment for comfortable dining and or group gatherings. To better serve these customers, the dining environment should be designed in themes that are modern, warm and family-oriented. Professional customer service also contributes positively to the overall customer satisfaction of this segment.

The customers belonging to the second groups are those who prefer take-away and home delivery pizza. The speed of service significantly influences the buyers in this group. The workflows should be, therefore, optimized to prepare the foods in less than 10 minutes. (Phuong 2015; Thanh 2015)

4.2 Value proposition

The value proposition is defined as qualities of a company that attract new customers and retain existing ones. These characteristics have important impacts on how and why buyers choose a company over another. Each value proposition consists of a variety of products and/or services that satisfy the needs of a specific customer segment. The values can be new so that they deliver innovative offers to customers or they can be existing ones with added attributes and features. Values can be classified into two categories: qualitative (designs, customer experience) and quantitative (price, speed of service). Factors such as uniqueness, newness, performance, customization, price, design, and brand/status can positively impact the value adding process. (Osterwalder & Pigneur, 22-23)

4.2.1 Value proposition of Pizzavn

A functional business provides values to its customers by delivering its products and/or services at a profit. Nowadays, the economy is becoming hypercompetitive as customers are more informed and face abundant choices. Therefore, to win customers, a company must carefully design its value delivery process and choose, provide and communicate superior values. Consequently, it is imperative for Pizzavn to frequently measure the markets, supervise the value creation processes and create specific bundles of values to solve customers' problems in the most efficient and effective manners. (Kotler et al. 2009, 33)

As a newly established business in the market, Pizzavn must have outstanding characteristics to distinguish itself from other competitors. The value creation processes of Pizzavn employ three elements suggested by Osterwalder and Pigneur: Price, Performance, Accessibility, customization

Price: Pizzavn will deliver its buyers practical values with inexpensive prices compared to those of the local competitors. Phuong and Thanh (2015) assert that most of the Vietnamese customers in Binh Duong city are price-sensitive and they may switch to another service if they find out the new prices of are cheaper and they frequently purchase those kinds of product. To offer the most affordable prices, pizzavn will apply strategies to decrease material and cost of goods sold. This aspect is discussed further in the “cost structures” of this paper. Ngoc et al. (2015), Phuong (2015) and Thanh (2015) also suggest that the customers, especially price sensitive ones, tend to be confused if there are too many different prices of several food choices. Thus, the pizzas’ prices of Pizzavn will only be differentiated based on the crust sizes, regardless of the topping’s ingredients.

Performance: Waiting time is crucial to the patience and satisfaction of the buyers. Ngoc et al. (2015), frequent pizza diners, state that in PizzaHut®, the customers have to wait on average 15 minutes before the finished foods are delivered to the tables. Sometimes the hungry customers lost their patience and verbally express their discomforts. To lessen the preparation time, the pizza dough will be made beforehand, according to the estimated daily pizza consumption. Phuong (2015) also advised that the pizza dough should be prepared beforehand at least 12 hours.

Accessibility: To balance between the monthly rental cost and location, Pizzavn will be located in a small street near schools and universities. In Vietnam, the locations are usually less important than the quality of the products. A highly rated restaurant in a small alley can still get high amount traffic compared to another medium rated restaurant on the main street of a town. As most of the Vietnamese travel on motors bikes and bicycle, they can access small streets and alleys easily. (Phuong 2015; Thanh 2015)

Customization: The Pizza toppings can be tailored according to the specific preferences of customers. Pizza diners can choose among different crust sizes and topping ingredients. More details can be found in section 5.2.2 of this thesis.

4.3 Channels

Business channels describe the necessary resources and methods a company needs, in order to reach and communicate with its targeted customer segments and deliver the proposed values.

The ways a company communicates and distributes products through sales channels contribute an interface to customers as they significantly enrich their experiences. Channels serve multiple functions such as raising awareness of a service or product, helping the customers determine the value propositions assessment, allowing customers to buy a specific service or product, delivering the proposed values and provide after-sales supports or activities. (Osterwalder & Pigneur, 26)

4.3.1 Channel phases

Channel Types			Channel Phases				
Own	Direct	Sales force	1. Awareness How do we raise awareness about our company's products and services?	2. Evaluation How do we help customers evaluate our organization's Value Proposition?	3. Purchase How do we allow customers to purchase specific products and services?	4. Delivery How do we deliver a Value Proposition to customers?	5. After sales How do we provide post-purchase customer support?
		Web sales					
	Own stores						
Partner	Indirect	Partner stores					
		Wholesaler					

Table 1: Five main stages of channels

The five stages above are particularly applied to the sales activities and marketing planning processes. In Pizzavn case, the business is newly established, therefore, most of the channels will be own and direct channels for cost-efficiencies (Phuong 2015). The first step is to raise the customer awareness through certain marketing channels such as direct marketing, social media and words of mouth. According to the author's own observation, the Vietnamese are becoming suspicious to commercial advertisements. For a new product, they decide to purchase only after experiencing product samples and/or being recommended by friends. Therefore, words of mouth marketing must be prioritized in order to increase the rates of potential customer recommendations. Secondly, pizza samples are given to customers so they can try, evaluate and give feedbacks. Thirdly, based on the product assessment, they can decide whether or not they commit to purchase the products. After making a purchase, Pizzavn delivers the products to the customers and provides them with after-sales supports.

4.3.2 Marketing

Marketing is important to the survival of any company. It consists of the steps by which a service or product is promoted and introduced to the public. In order to be successful, the products or services a company provides must be known to potential buyers. With marketing, the prospective customers are made aware of the business offerings and may attempt to discover the products or services. Marketing also helps build solid brand recognition and reputation that a successful business heavily relies on. A company's reputation is built and strengthened

by the quality of services or products, active participation in community programs along with internally and externally effective communication which are facilitated by marketing efforts. (Lorette, 2015)

Traditional online advertising channels such as Facebook paid advertising, Google AdSense, and are not effective anymore as Vietnamese consumers nowadays are increasingly skeptical about online scams as well as being misled, misinformed by untruthful advertisers. Therefore, trust must be gained first and Vietnamese customers become loyal afterwards. Financial resources should be allocated on words of mouth marketing that can be promoted via local community participations. (Phuong 2015 ; Thanh 2015)

Pizzavn will focus mainly on social media marketing because Vietnam has a huge potential for promoting business on the internet. According to Mander (2015), 41 million Vietnamese (45,2% of the total population) are internet users. There are totally 30 million social media profiles, of which 26 million are active on mobile devices. The most favored social media platforms that support images uploading are facebook (22%) and google plus (14%), following by Pinterest (5%) and Instagram (5%). Pizzavn will primarily promote community activities on these dominant social media platforms: Facebook, google plus, Pinterest and Instagrams ; as well as school forums and food discussion boards.

Integrated analyzing tools such as “facebook insights” can be utilized to learn more about characteristics and behaviors of visitors, for example: their age groups, the time they are online the most, rate of discussion engagement. These data helps build according marketing strategies.

Besides, the look and feel of Pizzavn’s official website will be designed simple and highly visual. On the site, primary information such as making reservation guidance, opening hours, address, business concepts and detailed menus will be displayed. News and updates will also be published in blog entries. To maximize visibility, the website will be submitted to several search engines and the social network manager of Pizzavn will be responsible for creating rich-keywords promotional articles on other websites with hyperlinks pointing back to Pizzavn’s official website.

4.3.3 Practical promotion campaigns

In the early days, Thanh (2015) suggests Pizzavn to organize “man versus food” competitions to gain public attention. Attendants get a reward and do not have to pay for the foods if they finish an extremely big or spicy portion. However, warnings about health risks must be thoroughly described prior to the competitions.

Sales promotion is crucial because it encourage consumers to buy at the early stage.

The initial marketing plan objective is to reach... this can be achieved by a “big grand opening day” with big discounts and event social media called “comment, share and get free pizza”.

The Vietnamese are cost-sensitive; consequently, incentives such as discounts or vouchers can significantly increase people’s purchasing powers.

The Vietnamese youth nowadays usually take selfies, group photos and use mobile phones to check-in any café, restaurant with modern, shiny and warm environment. This can create positive recommendations on social networks. These customers can be motivated to do so by being offered discounts every time they check-in or talk about Pizzavn on their social media profiles. Thanh (2015) states that the interior of Pizzavn should be decorated modernly in western style and the atmosphere should be warm, shiny and well-lid. Furthermore, the dining wares should be decent and the food beautifully organized.

The word of mouth marketing method can be enhanced with an active presence on social media networks. Thanh (2015) suggests one way to utilize the social media networks is to publish pictures of deliciously mouth-watering pizzas on any platforms that support image uploading.

Another good way is to encourage consumers to write a review about the services and products on their own social media profile or blog. They will get incentives such as discounts or vouchers for writing good and thorough reviews about Pizzavn.

Co-operating with people whose social media profiles are popular is also beneficial. Those people will be invited to try the products for free or paid to post pictures on their social media channels. The owner should also contact and pay social media channels with high user engagement ratio for products reviews advertisement.

Aside from attracting new customers, another crucial part of the marketing is to establish a customer database to ensure that existing customers are well-informed about events from Pizzavn. Such database can be used for cost-efficient online direct marketing methods such as mailing, telephone and SMS to boost sales and rates of recurring customers. However, it is advised that the target recipient groups should be classified beforehand and content should be created carefully according to the characteristics of each group. The message should be clear and precise in order not to appear spammy. (Thanh 2015)

4.4 Customer relationship

Customer relationship is how the company communicates with existing customers. Mere buyer's purchase decisions alone are not regarded as a valid customer relationship with a company. A solid customer relationship is built once the customer has unconsciously or consciously established an emotional connection with the firm. (Barnes 2006, 5)

James Barnes (2006, 45) asserts that improving the functional sides of the products or services only enable a business to gain relatively high levels of customer satisfaction. A firm must focus on the emotional aspects of customers to increase their loyalty as customers are emotion-driven when they decide from which brands they make the final purchase.

James Barnes (2006, 44, 47) suggests a five-stage model for creating sustainable customer relationships. The foundation for building customer relationship is the core services or products of the company. The customers should receive good values for the price charged. Secondly, the backup support such as post-sales activities, warranties can enhance the core services or products of the company with convenience and accessibility. Thirdly, the delivery should be punctual and consistent with the advertised promises while the scenarios of failures must be minimized. The last stage is substantially imperative as it consists of interpersonal activities such as face-to-face discussions. Caring, helpful and friendly employees can help provide respectful and individualized services. Mutual respects and appreciations are the fundamentals for improving emotional connections between the company and customers.

4.4.1 Customer relationship management of Pizzavn.

Customer retention has been proven to be imperative and cost-effective. David Moth (2013) affirms in his findings that it is more expensive to gain new customers than to retain new ones and nowadays customers are neglecting mass marketing. The ROI (return on investment) is higher once a company invest in developing relationships with current customers over acquiring new ones. Consequently, for a cost efficient approach, Pizzavn will allocate the resources and effort on building a strong emotional connection with the existing clientele once it has built an adequate customer base.

Retaining existing customers strategically play an important role in any business as it can eventually lead to key accounts (Kati). In the case of Pizzavn, key accounts can be large business-to-business customers from which Pizzavn can get significant revenues. Special programs will be offered to enhance the long-term buyer-seller relationship provide mutually profitable solutions to both parties.

The staff of Pizzavn will be trained professionally on human interactions so that they can positively develop emotional connections with customers. Individualized supports such as helpful

conversational guidance make the customers feel respected and worthy, thus, increase the level of customer satisfaction.

Community involvement can help Pizzavn facilitate the connection among members and understand them more deeply. The internet user community, comprising both customers and prospects, are welcome to participate in open discussions pages like facebook and food forums topic. Users are encouraged to share their experiences with Pizzavn and give feedbacks. Through online communities, Pizzavn can quickly inform the members about news and upcoming events.

4.5 Revenue stream

Revenue streams are the cash inflows of a company from its customer segments, thus, they are important to the survival and growth of any business. In order to generate one or several stable cash flows channels, business owners should identify the specific values that customers are genuinely desired and content to purchase. Each revenue stream may have its own pricing mechanism such as fixed list price, bargaining, auction or competitor-based pricing. There can be two distinguishing types of revenue streams: Single customer payment and recurring revenues that are the result of proposed values delivery and/or customer supports. (Osterwalder & Pigneur, 30)

The most popular methods of revenue generation are asset sales, subscription fees, usage fees, leasing, licensing, brokerage fees and advertising. A company decides how the revenue streams are generated depending on the nature of its industry. In the case of Pizzavn, the revenue channels will be a combination of asset sales and licensing. In the first years, asset sales will be the main source of cash inflows and licensing will be considered once business expansion is implemented. (Osterwalder & Pigneur, 31)

4.5.1 Pricing strategies

Pricing is an important factor to be considered when positioning a company on the market and evaluate the competitiveness. Hence, a company must manage the demands and supplies and determine the optimal number of service units and/or product consumption based on completing a specific task, service performance evaluation or expert consultancy. (Lovelock & Wright 2008, 184)

Pricing methods can be basically based on costs, competitors and values delivered to consumers. To keep the business healthy and sustainable, companies price their services or products higher than the cost of goods sold. Pricing strategies are regarded successful once either the

prices are set higher than the cost of producing products or services by a high percentage or the sales volume reach the high number. Pricing can also create market competition when competitors determine the price against each other. Such competitive activities can be a guideline for a new business to price their products and services accordingly. Although the cost and competition factors are critical for a firm to decide suitable pricing strategies, the actual values that are delivered to the end customers are ultimately important. (Lovelock & Wright 2008, 177) Customers only commit to purchasing once they are certain about the values received against the expenses, thus, suitable pricing strategies reduce uncertainty. (Lovelock & Wright 2008, 178)

Since the fluctuations in prices affect the quantity of demanded goods, there are correlations between service providers and the customers, namely price elasticity and inelasticity. They both influence a company's strategies of managing price and revenue. When a price fluctuation in service or product has insignificant or no impact on the demands, price is inelastic. On the other hand, price elasticity happens when changes in prices have a significant influence on the quantity of buyers. Price elasticity is almost negative and less preferred over price inelasticity by companies. (Lovelock & Wright 2008, 179)

4.5.2 Pricing mechanism

Before selecting the most suitable pricing strategies, clear pricing objectives should be determined. As it is suggested by Kaplan & Warren, three of the simplest models among other methods and theories are pricing strategies that are based on revenue, operations, and patronage. Revenue-oriented pricing focuses on maximizing disposable income over expenditure. Newly established business usually employs this model to break even as quickly as possible. Operation-oriented pricing aims to reach the optimal usage of a company's productive capacity all times. Promotions such as discounts and special deals are offered in off-period seasons to boost the demands. The patronage-oriented model is usually executed by new company to attract new customers by all necessary solutions. To gain market share as much as possible, promotional activities such as grand opening price discounts, contest, and giveaways are usually executed. Practically, pricing strategies should be developed based on the aims of satisfying multiple types of objectives although comparative factors such as revenue, operation, and market share may differ in several situations. (Kaplan & Warren 2007, 73)

Generally, the two critical functions of sales and marketing should be aligned and integrated because they are both dependent on each other. Adequate market and competitor analysis can significantly help a new business define the prices. If properly executed, pricing can be both an effective marketing tool and a critical brand image builder for a company as it con-

trols the cost-profit relationships and reflects the buyers' perceptions and feelings which thereupon influence the purchase decisions. (Kaplan & Warren 2007, 72)

4.5.3 Pricing and revenue channels of Pizzavn

Robert Phillips suggested there are high chances that a company encounters serious problems if they follow tenaciously a pricing model. Therefore, pricing approach to different objectives should be modified and diversified. Consequently, the pricing method of Pizzavn will be a combination of cost-based and competitor-based pricing models. (Robert Phillips, 25)

As a new player on the market at early stages, the patronage-oriented strategy is utilized in market penetration strategies to maximize the public exposure of Pizzavn and attract new customers as much as possible. To achieve these goals, the cost-based pricing model is applied to meet these criteria: Prices are the most inexpensive for customers while still ensures the nominal profitability for Pizzavn ; the constraints of productive capacity are kept within acceptable levels. Such promotional campaigns as low introductory prices and vouchers, pizza eating contests, free gifts (refrigerator magnets, notebooks) will be implemented.

Once an adequate base of recurring customers has been built and business reputation consolidated, Pizzavn will switch to revenue-oriented pricing to maximize turnover. At this stage, Pizzavn will analyze other local Pizza businesses and distinct itself from the competitors by introducing new and exclusive bundles to the public at premium prices that can even be higher than those of the local competitors for a limited period of time.

In off-period months such as rainy season in Viet Nam, Pizzavn will implement the operation-oriented method to fulfill its productive capacity once sales decreases. In this situation, special deals and discounts will be offered; new menu that are economically cost-based priced will also be introduced to boost sales.

5 Infrastructure

5.1 Key resources

Key resources define several types of resources which are required to keep a business operative. Such resources enable a company to create and deliver a value proposition to customer, penetrate markets, manage customer relationship and generate turn-overs. In practice, necessary resources for a business can be generally categorized into four different kinds, namely physical, intellectual, human and financial resources. Physical resources are physical assets, for instance, building, vehicles, factory, allowing a company to create and deliver products or

services to the end customers. Intellectual resources such as brand, customer database, and partnership can deliver substantial value once adequately accomplished. Human and financial resources are the most imperative resources since most business requires labour force and capitals to implement and develop the business model. There are several solutions a company can use to obtain these resources: either by owning, renting or acquiring them from key partners. Necessary resources are different depending on the nature of a business and its industry. (Osterwalder & Pigneur, 34, 35)

5.1.1 Key resources of Pizzavn.

To deploy the pizza business, Pizzavn needs certain initial investments. In the beginning of operations, all the financial aspects will be managed and implemented without external investments or loans. The owner will invest about 13000€ of his own savings into Pizzavn. At the early stages, the biggest expenditure will be the purchase of physical assets such as chairs, table, dining wares and kitchen equipment. The equipment should be easy to use, durable and sufficient in number in case of malfunctions. To reduce the costs, the owner will negotiate a package deal with a local restaurant equipment supplier to use the advantage of bulk purchase. The second greatest expense will be spent on the restaurant's interior and exterior designs. The owners will also negotiate with several decoration services and choose the most valuable full-package deal. The overall look and feel should be authentic, modern and comfortable. The combination of visible, sensible and audible elements is important since they affect the dining experiences of customers. Besides the primary purchase, the trader also supplies Pizzavn with his own equipment such as knives, food processor, mixers, a motorbike and juicers.

Employees are of high importance to the overall brand image and operational efficiency of Pizzavn, thus, they must be professionally trained prior to the grand-opening day. Phuong (2015) suggests that experienced, enthusiastic employees with high self-learning abilities and positive attitudes should be filtered in the recruitment process. For the most practical approach, business owners should often organize informal or formal meetings so that all the employees can share their own working experiences and learn from those of others. Open discussions also strengthen the employer-employee relationships and help business owners quickly update the overall outlook of the business.

Factors such as customer database, proprietary knowledge, are considered critical intellectual resources of pizzavn. Customer database consists of clientele's details that are used for marketing, managing customer relationship whereas proprietary information contains knowledge such as financial data, marketing campaign analysis results. Any loss or leakage of

these properties may cause significant damage to the reputation and strategic operations of a business, thus, they must be securely controlled and prevented from unauthorized access.

5.2 Key activities

Key activities are the necessary actions a firm must execute to keep its business model operational. Key activities are equally important as key resources since they are required in the processes of value creation and delivery, market share acquisition, customer relationship management and revenue generation. Well-organized key activities enable a company to gain competitive advantages over other competitors. (Osterwalder & Pigneur, 36)

Key activities can be classified into three distinctive groups as follows: Production, problem-solving and network/platform. Production activities comprise designing, creating and delivering products in desired quality and quantity. Problem solving activities are performed by companies that provide solutions to the problems of their customers. Key activities of platform/network type relate to organizations such as Ebay and Amazon, whose business models are based on platforms as key resources. (Osterwalder & Pigneur, 36)

5.2.1 Production

In the restaurant industry, it is obvious that key activities belong to the production group mentioned above. Therefore, Pizzavn regard the production stages, from raw material to finished product, the most important core of all other activities. The main principles of Pizzavn's products are to provide customers with safe and worthy products made from cost-efficient raw material sources.

Pizzavn provides the end customers with products of high-quality and safety because high quality pizzas can positively affect customers' satisfaction and loyalty, increase word-of-mouth recommendations and the reputation of any business. To achieve these goals, quality controls methods are implemented constantly through raw material selections and strict hygienic regulations in all kitchen steps, from foods preparation to dish washing. The chefs who work for Pizzavn must be officially qualified, have at least three years of experiences while other personnel must have a food hygiene certificate or have to go through food hygiene instructed by experts in the restaurant industry. Pizzavn only accept products from suppliers who are able to show food safety certifications approved by authorized bodies to reduce health hazards for the end customers. (Phuong 2015; Thanh 2015)

5.2.2 Product line specifications.

Pizzavn 's product line is dedicatedly designed to bring convenience and flexibility to the end customers. Pizzavn specifies a pre-defined list of pizza topping recipes so that customers can choose directly. Besides, to maximize customizability, Pizzavn offers customers the possibility to design their desired pizzas. Specifically, there are three kinds of pizza crust sizes for customer to select:

- Small-sized pizzas (diameter around 15 centimeters) are suitable for children and elementary pupils or for new customers who want to evaluate and explore the new tastes. For kids and their parents, more games, balloons, and fun activities will be offered to induce their future returning. Small-sized pizzas can also be used in promotional campaigns such as “buy two get one more”.
- Medium-sized pizzas (diameter around 20 centimeters) are designed for those who do not want to eat much. Besides, these kinds of pizza can be priced purposefully to initiate the “anchoring effects” which serves as a basis for customers to compare with other options. In this case, the large-size pizzas will be compared and perceived as more valuable. (Anchoring Effect: How The Mind is Biased by First Impressions, 2013)
- Large-sized pizzas (diameter around 30 centimeters) can be ultimately perceived as the most cost-efficient options for customers, thus, this product line is expected to generate the most sales.

The costs of customizable pizzas depend on its crust size, meaning that regardless of the toppings, the prices are the same as long as the crusts are equally big.

Topping options will range from seafood, meat, and chicken to vegetarian. Pizza eaters can freely demand them to be mixed with each other. If unsure about a combination, customers may refer to Pizzavn's printed instructions of various pizza topping mixes around the world. The chefs will then decide the proportions of each ingredient, according to the topping preferences of customers and the selling prices.

5.2.3 Sales

In the case of Pizzavn, most of the sales commence inside the restaurant once customers visit Pizzavn to place their orders or call the sales representatives to demand a pizza delivery service. Hence, employees should be equipped with enough interpersonal skills, communication skills, and negotiation tactics to handle the sales effectively. These required skills can be exchanged with experienced personnel provided that the new employees have adequate self-learning abilities as well as positive attitudes to apprentice.

“Practice makes perfect”. Sending employees to paid sales seminars is not effective. For a practical and cost-efficient approach, a business owner can provide the staff with theoretical sales techniques which are currently abundant on the internet and free electronic books. Junior employees should watch and build the sales techniques for themselves from other experienced staff members and then consolidate these skills through real practices. (Phuong 2015; Thanh 2015)

5.2.4 Productivity and employee satisfaction

Pizzavn owner will be responsible for its personnel since positive workplace attitudes and manners of the staff contribute to the business performance. Particularly, employee satisfaction interconnects with productivity. Only motivated and enthusiastic personnel can deliver the optimal results. (Phuong 2015 ; Thanh 2015)

Several methods can be used to boost the personnel’s loyalty and strengthen the employer-employee relationships such as: conversing personally with the employees to discover what factors motivate them besides salaries; showing the personnel interests and appreciation; introducing some examples of the customers whose positive responses are the results of an employee’s service; reminding personnel of whom they are delivering values to ; executing new management practices to prevent complacency and unmotivated personnel. (Liu, I. 2015)

Productivity are optimized to improve employee motivation and efficiency. All the production activities happening within Pizzavn restaurant are revised and developed frequently to ensure each employee is in the most effective workflows. The business owner should also actively discuss with the personnel about their expectations and improvement suggestions.

5.3 Key partnership

It is obvious that few companies can possess every resource and perform all operations by themselves. Good business partnerships can be beneficial in several aspects. Most companies established mutual partnerships to optimize their business models, share risks, exchange expertise and achieve flexibilities in capital management.

Partnerships can be classified into four distinctive groups. Buyer-supplier relationship is the most fundamental partnership that businesses form to stabilize the supplies chains as well as optimize the allocation of activities and resources. Strategic alliances are cooperation formed by companies who are not competing with each other while strategic partnerships between

competitors are defined as coopetition. Partners also co-operate in a joint-venture to develop new businesses. (Osterwalder & Pigneur, 38)

Although a healthy business partnership can be regarded as strength that enables companies to effectively utilize the opportunities, withstand against threats and beneficially satisfy the customers, the mere existence of a business relationship does not contribute competitive advantages to any parties. In fact, a poorly-managed affiliation with vital suppliers can negatively affect the rapid growth or survival of a business in challenging times. Therefore, business relationships should be nurtured and all involved partners should thoroughly understand the advantages and disadvantages of business partnership which are dependent on the forms and terms of partnership agreements. (Wood 2010, 34, 35)

The mutually established partnerships deliver several positive outcomes. More partners result in greater ability to raise funds, less financial distress as well as more brainstorming powers. The risks are divided between partners; therefore, the loss of a single party is reduced. All the partners can also utilize networks, distribution channels of each other to expance operations. Each party specializes in their own professional fields, thus, involved parties are also beneficial from complimentary know-hows of each other. (BBC - GCSE Bitesize - Sole traders and partnerships, 2015)

On the other hand, the downsides of business partnerships emerge from shared rights and obligations. By being in a partnership, major aspects of a business such as financial problems, decision making, and profits are mutually shared. Each partner is jointly and severally responsible for the activities of others, thus, a company must pay if the debts are incurred by other businesses. In the decision making, a party may lose their proposals if outvoted by others and tensions may arrive if members are unable to reach a consensus, thus, lead to potential withdrawals. Since all the profits are mutually divided, the overall income of a company may be negatively affected if other businesses are not equally profitable. Before entering any binding business relationships, a deed of partnership should be created by business partners themselves or by an impartial lawyer. Such terms must be prepared with care to cover any possible undesired situations in the future, for instance, when a co-owner wants to withdraw from the business or suffer from personal bankruptcy. (Partnership Advantages and Disadvantages, 2015)

5.3.1 Key partnership of Pizzavn

In the case of Pizzavn, strategic alliances will be formed with equipment suppliers, raw food material suppliers, design and decoration services, indirect competitors, social network managers and charity organizations.

The interface of Pizzavn is one of the most important considerations. Prior to the grand opening day, the interior and exterior of the restaurant must be redecorated. Design and decoration service offer consultancy about logo designs and theme-decoration, according to distinctive seasons or special events. This kind of service usually network with office equipment suppliers and this connection can be utilized to find valuable deals.

High quality, yet, cost-efficient raw materials are obviously beneficial as they increase the tastes of the finished and raise the product margins. To minimize the costs and increase the freshness of raw materials, the owner will negotiate with nearby suppliers for locally raw materials.

Networking with partners in the same industry is effective in acquiring potential new customers. The Pizzavn will establish relationships with indirect competitors such as café, restaurants that are specialized in domestic foods and convenient stores. The owner will negotiate with these businesses for exchanging poster placements, business cards, product catalogs, and refrigerator magnets. (Thanh 2015)

6 Cost structure

The cost structure illustrates all the expenditure that a firm requires to execute its business model. Generally, costs can incur from all the major operations of a company such as generating and delivering values to consumers, managing customer relationships and creating values. Hence, costs can be effectively managed once primary factors such as essential resources, key activities and strategic partnerships are identified. Depending on the nature of business model, a company may optimize all operations to minimize the costs and generate as much profits as possible or price their products/services according to the actual values delivered to its customers. It is also not uncommon for a business to implement a combination of both cost-driven and value-driven structures, whose characteristics consist of fixed costs, variable costs, economies of scales and economies of scopes. Pizzavn will also flexibly employ these two structures to balance between a high degree of customer satisfaction and sustainable business growth. (Osterwalder & Pigneur, 40, 41)

In the establishment stage, a cost-driven structure is imperative once renovation process commenced and Pizzavn is implementing initial marketing campaigns and purchasing equipment. After the physical resources are ready, Pizzavn needs to expance the customer base by generating word-of-mouth recommendations, thus, the profit at this stage is intentionally maintained at nominal levels and value-driven structures are prioritized to deliver the most values to customers. However, because the start-up resources are, to some extent, concise,

Pizzavn will switch to the cost-driven structure for healthy revenue inflows after an adequate base of customer has been built.

6.1 Importance of financial planning

Financial or budget planning process is critical to a business owner since not only does it represent an outlook to the past of an organization but it also influences the current and forthcoming decision-making process. A well-structured financial plan also helps a business owner focus on what should be expensed to sustainably grow a business and developing its competitive edge in the long-term future. Once the objectives have been defined, based on budget plans, a business owner can prioritize expenditures that can deliver improvements in major operations of the company. Well-manage cash management results in positive consequences such as easing the financial distress of cash reserve fluctuations. Consequently, Pizzavn will depend on its financial plans to forecast and analyze monthly revenue flows as well as manage necessary operations for a stable future growth. (Hill, 2015)

6.2 Start-up requirement

By estimated calculation, the total start-up requirement is approximately €13000 which is covered completely by the own savings of Pizzavn's owner. Thanh (2015) advised that a lawyer or a specialized service should be hired to process all the legal procedures because the bureaucracy in Viet Nam is, to some extent, complicated and take a long time to process. The majority of capital (€8000) will be spent on initial decorations and kitchen equipment. The rest of the capital will be spent on other elements such as electronics, official website, and insurance.

Start-up requirements	€
Motobike for delivery service	1000
Computer and billing machine	500
Initial decorations	4000
Legals procedures	300
Stationery (dining tables, chairs)	1000
Kitchen equipment	4000
website	100
Dining wares	1000
Insurance	200
Overhead expenses	500
Total start-up investment	12600

Table 2: Start-up requirement

6.3 Cash budget of Pizzavn

Cash budget serves as a financial tool for forecasting cash inflows and outflows in a company. Cash budget are generated in monthly intervals for a period, usually ranging from 12 to 24 months to help business owners monitor the status of cash balance and prioritizes suitable forthcoming activities accordingly. (Definition of a cash budget, 2012)

Financial activities of Pizzavn will be logged monthly, starting from January 1, 2016. On the one hand, the general incomes and closing balance are expected to increase over the 12-month period as Pizzavn gain more awareness. On the other hand, greater production will definitely lead to bigger expenses, for instance, in materials, water and electricity. Because the owner of Pizzavn does not owe capital to any organizations, no amortization nor interests must be paid at the closing balance day. The detailed cash flows can be found in appendix 3.

6.4 Income statement.

Income statement or profit and loss statement serves as a tool for financially assessing a business's performance. It illustrates the total turnovers, cost of goods sold, losses, gains, net incomes and losses of a company over a period of time. The conclusions whether a business is making profits or not are based on calculated comparisons between expenses and revenues. (What is an income statement, 2015)

In the first year (2016), if the projections are met, the sales of Pizzavn will reach €27745. After the deductions of costs and taxes, Pizzavn seems to contribute a net profit of €3832. However, due to the start-up requirements that cost €12600, Pizzavn will actually make a net loss of €8768. The growth rate of Pizzavn is estimated at 20% annually and these start-up expenses are expected to be completely compensated from the second year. More details about the budgeted income statement of Pizzavn can be found in appendix 4

7 Analyses

7.1 S.W.O.T analysis of Pizzavn

S.W.O.T is the abbreviation of Strength, Weakness, Opportunities and Threats which affect an organization both internally and externally. Based on S.W.O.T analysis, business owners can justify the situation of a company. Strength and Weakness represent the internal advantages

and disadvantages of a business while Opportunities and Threats illustrate the external pros and cons of the surrounding environment. (Cadle et al, 2010)

Strengths <ul style="list-style-type: none"> - Highly specialized in Pizza gastronomy - Highly experienced chefs. - Fresh and healthy ingredients - Friendly, responsible and professional staff members. - Strict food hygiene controls. 	Weaknesses <ul style="list-style-type: none"> - Inexperienced personnel - fluctuations in the prices of ingredients
Opportunities <ul style="list-style-type: none"> - Restaurant location: Binh Duong city is dynamic and local residents are open-minded to western foods. - People prefer restaurants with modern, western style designs. 	Threats <ul style="list-style-type: none"> - Pizzavn is a new business in Binh Duong city - There are possibilities that new and existing competitors copy the business model of Pizzavn

Table 3: S.W.O.T analysis of Pizzavn

7.2 Competitor analysis

So far, in the city of Thu Dau Mot, there are two dominant pizza competitor brands namely Pizzahut ® and Pizzainn ®. They both offer a wide range of drinks, pizzas and other kinds of foods such as rice, garlic bread. They have special menu and prices for children. The interior are elegantly designed, air-conditioned. They also offer free WiFi and free car parking lots. Customers can eat at the restaurant, take away or order home delivery. The negative complaints Pizzahut and Pizzainn often receive from customers are inconsistencies in product descriptions and promotion programs. Some of the staff are not well-trained the food preparation process is long (customers must wait at least fifteen minutes) and the prices are high compared to the average income most local Vietnamese. More information about these competitors can be found in the table below. (Ngoc et al. 2015)

	Pizza Hut	Pizza inn
Product	Pizza, rice, pasta, breads, drinks.	Pizza, pasta, breads, drinks
Price range	High to premium	High to premium
Channels	Dine-in, take away, home delivery	Dine-in, take away, home delivery
Target customer segments	Children and youth from middle to high income class.	Children and youth from middle to high income class.
Strength	Strong brand recognition, innovative pizza diversifications, highly hygienic, good marketing and promotions,	Strong brand recognition, innovative pizza diversifications, highly hygienic, good marketing and promotions
weakness	Franchise management, professional staff management and training.	Inexperienced personnel

Opportunities	Food range expansion, business expansion	Business expansion
Threats	Competitors, Increasing numbers of health-conscious customers, Material price fluctuations	Competitors, health-conscious customers.

Table 4: Competitor analysis

7.3 Risk analysis

Risks are specified as threats, accidents or incidents that result in negative consequences to Pizzavn. Business owner should assume, forecast and evaluate various outcomes of risks/hazards under different situation to prepare suitable risk management methods. (Thanh 2015). In the case of Pizzavn, risks are assessed by probabilities and importance whose scales vary from 1 (lowest) to 5 (highest). Additionally, countermeasures are introduced to mitigate the risks. More details are illustrated in the figure 4 below.

Hardzards/ problems	Consequenc- es	Proba- bilities (1-5)	impor- tance (1-5)	Control measures	Respon- sible persons
Food poisons	Customers become ill or allergic	4	4	Ingredients are kept in suitable conditions. Staff must follow strictly kitchen's hygienic rules. Customers are asked whether they have food allergy.	staff
Injuries	Staffs get injured in the workplace.	3	5	First aid kits always available; tidy workplace with good lighting; regular maintenance of the equipment; training staff how to use equipment; installing fire alarms, fire extinguisher and warning system; using appropriate floor materials;	manager, head chef
Sudden power blackouts	kitchen operation shut-downs, equipment damaged	5	5	Candles, flashlights available; using back-up generator that runs on gasoline	Manager, staff
Personnel shortages	insufficient amounts staff	2	4	Calling reserved part-time employees whose salaries are hourly based. Staffs are required to announce about their absence as soon as possible.	Manager

Figure 3: Risk analysis of Pizzavn

8 Commentary and conclusion

The author wants to express his gratitude toward all of the interviewees for their valuable times and efforts. During the writing process of this thesis, the author receives positive comments from the interviewees, especially the two restaurant owners. They all support the

commencement of Pizzavn in Viet Nam so that the local people can experience the exotic tastes of Pizza at considerably affordable prices.

The author concludes that it is possible to establish this business model in Binh Duong city. There are two primary characteristics that need attentions: Binh Duong city-dwellers nowadays are highly attracted to restaurants that are designed in modern, warm Western style and professionalism of staff and quality of service/products are of utmost importance to customers when they evaluate a restaurant. For this business model to be successfully deployed, customers' preferences and market trends should be updated and revised regularly because this business plan has been partly based on subjective assumptions, estimations and analysis of other people. There are always possibilities that some approaches needs changes when the business is established.

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Appendixes

Appendix 1 : Salary

Salary	Head chef 1	Waiter/waitress 1	Waiter/waitress 2
Fixed monthly salary	300 €	180 €	180 €
Total salary	660 €		

Appendix 2 : Sales projection

	Price												
Sales projections	per unit	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
small-sized pizzas	1,0 €	500	515	530	546	563	580	597	615	633	652	672	692
medium-sized pizzas	1,7 €	150	155	159	164	169	174	179	184	190	196	202	208
Large-sized pizzas	2,0 €	300	309	318	328	338	348	358	369	380	391	403	415
Drinks	1,0 €	600	618	637	656	675	696	716	738	760	783	806	831
small-sized pizzas		500 €	515 €	530 €	546 €	563 €	580 €	597 €	615 €	633 €	652 €	672 €	692 €
medium-sized pizzas		255 €	263 €	271 €	279 €	287 €	296 €	304 €	314 €	323 €	333 €	343 €	353 €
Large-sized pizzas		600 €	618 €	637 €	656 €	675 €	696 €	716 €	738 €	760 €	783 €	806 €	831 €
Drinks		600 €	618 €	637 €	656 €	675 €	696 €	716 €	738 €	760 €	783 €	806 €	831 €
Total		1 955 €	2 014 €	2 074 €	2 136 €	2 200 €	2 266 €	2 334 €	2 404 €	2 477 €	2 551 €	2 627 €	2 706 €

Appendix 3 : Cash budget

	months											
Cash budgets	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Cash inflows (VAT included)												
Opening balance	0	280 €	656 €	1 077 €	1 524 €	1 979 €	2 510 €	3 111 €	3 762 €	4 443 €	5 184 €	5 968 €
Equity	0											
Sales	1 955 €	2 014 €	2 074 €	2 136 €	2 200 €	2 266 €	2 334 €	2 404 €	2 477 €	2 551 €	2 627 €	2 706 €
Loans	0	0	0	0	0	0	0	0	0	0	0	0
Other investments	0	0	0	0	0	0	0	0	0	0	0	0
Total cash inflows	1 955 €	2 294 €	2 730 €	3 214 €	3 724 €	4 245 €	4 845 €	5 516 €	6 238 €	6 994 €	7 812 €	8 674 €
Cash outflows (VAT included)												
Fixed costs												
Salary	660 €	660 €	660 €	660 €	660 €	660 €	660 €	660 €	660 €	660 €	660 €	660 €
rent	300 €	300 €	300 €	300 €	300 €	300 €	300 €	300 €	300 €	300 €	300 €	300 €
electricity	30 €	30 €	30 €	35 €	35 €	40 €	40 €	45 €	45 €	45 €	45 €	45 €
water	5 €	5 €	6 €	6 €	7 €	7 €	7 €	8 €	8 €	8 €	8 €	8 €
Phone and internet	15 €	16 €	17 €	17 €	18 €	19 €	19 €	19 €	20 €	20 €	23 €	24 €
Insurance	10 €	10 €	10 €	10 €	10 €	10 €	10 €	10 €	10 €	10 €	10 €	10 €
Marketing	100 €	50 €	50 €	70 €	100 €	70 €	60 €	60 €	80 €	80 €	90 €	90 €
Staff education, training	30 €	30 €	30 €	30 €	30 €	30 €	30 €	30 €	30 €	30 €	30 €	30 €
Affiliation costs	50 €	40 €	40 €	40 €	40 €	40 €	30 €	30 €	30 €	30 €	35 €	35 €
Maintainance	10 €	10 €	10 €	10 €	10 €	10 €	10 €	10 €	10 €	10 €	10 €	10 €
Book keeping (outsourced)	5 €	5 €	5 €	5 €	5 €	5 €	5 €	5 €	5 €	5 €	5 €	5 €
travel costs(delivery)	30 €	35 €	35 €	35 €	40 €	40 €	40 €	40 €	45 €	45 €	45 €	50 €
total fixed costs	1 245 €	1 191 €	1 193 €	1 218 €	1 255 €	1 231 €	1 211 €	1 217 €	1 243 €	1 243 €	1 261 €	1 267 €
Variable costs												
Production materials	400 €	412 €	424 €	437 €	450 €	464 €	478 €	492 €	507 €	522 €	538 €	554 €
Part-time salaries	30 €	35 €	35 €	35 €	40 €	40 €	45 €	45 €	45 €	45 €	45 €	45 €
Total variable costs	430 €	447 €	459 €	472 €	490 €	504 €	523 €	537 €	552 €	567 €	583 €	599 €
Total cash outflows	1 675 €	1 638 €	1 652 €	1 690 €	1 745 €	1 735 €	1 734 €	1 754 €	1 795 €	1 810 €	1 844 €	1 866 €
Closing balance	280 €	656 €	1 077 €	1 524 €	1 979 €	2 510 €	3 111 €	3 762 €	4 443 €	5 184 €	5 968 €	6 809 €

VAT calculations	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
VAT on sales (10%)	196 €	201 €	207 €	214 €	220 €	227 €	233 €	240 €	248 €	255 €	263 €	271 €
VAT on purchase (10%)	40 €	41 €	42 €	44 €	45 €	46 €	48 €	49 €	51 €	52 €	54 €	55 €
net VAT payment	156 €	160 €	165 €	170 €	175 €	180 €	186 €	191 €	197 €	203 €	209 €	215 €

Appendix 4 : Budgeted income statement

Budgeted income statement	2016	2017	2018
Sales	27 745 €	30 520 €	33 572 €
- VAT (10%)	2 775 €	3 052 €	3 357 €
= Turnover	24 971 €	27 468 €	30 215 €
- Variable costs	6 162 €	6 778 €	7 456 €
= Contribution margin	18 809 €	20 690 €	22 759 €
- Fixed costs	14 775 €	16 253 €	17 878 €
= operating margin	4 034 €	4 437 €	4 881 €
- interest costs	0	0	0
= profit before tax	4 034 €	4 437 €	4 881 €
- income tax (5%)	202 €	222 €	244 €
= net profit	3 832 €	4 216 €	4 637 €